

Message Text

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44

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-02

RSC-01 USIA-15 PRS-01 SP-02 AEC-07 AID-05 CEA-01

CIEP-02 COME-00 EB-07 FEAE-00 FPC-01 H-02 INT-05 L-02

NSC-05 OMB-01 PM-03 SAM-01 OES-05 SS-15 STR-04

TRSE-00 FRB-01 NEA-10 /118 W
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R 191525Z DEC 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6720

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS LONDON 16572

E.O. 11652: N/A

TAGS: ENRG, UK

SUBJECT: UK GASOLINE PRICES INCREASED BY 10 PENCE PER
GALLON

REF: LONDON 16149

1. AS FORECAST IN HIS ENERGY CONSERVATION STATEMENT
MADE ON DECEMBER 9, SECSTATE FOR ENERGY ERIC VARLEY
ANNOUNCED INCREASED GASOLINE PRICES OF UP TO 10 PENCE A
GALLON AS OF DECEMBER 20. VARLEY ALSO ANNOUNCED ENDING
OF MAXIMUM RETAIL PRICE CONTROL ON GASOLINE AND DERV.
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2. INCREASED RETAIL PRICE OF 10 PENCE A GALLON WILL BE COMPOSED OF SOME 7 PENCE FOR OIL COMPANIES, 25 PERCENT VAT AND POSSIBLY A SLENDER INCREASE IN RETAIL MARGIN OF SMALLER DEALERS.

3. VARLEY GAVE AS RATIONALE FOR LIFTING OF PRICE CONTROL FACT THAT PETROLEUM PRODUCTS ARE IN AMPLE SUPPLY, AS CONTRASTED TO A YEAR AGO WHEN RETAIL PRICE CONTROLS WERE INTRODUCED. HE NOTED THERE IS NOW WIDESPREAD COMPETITION IN GASOLINE MARKET WITH PRICE CUTTING AND SPECIAL PROMOTIONAL OFFERS.

4. LESSER INCREASES OF FROM 2 TO 3 PENCE A GALLON WILL BE IMPOSED ON HOME HEATING AND INDUSTRIAL FUEL OIL. FROM A VOLUMETRIC STANDPOINT, GREATEST IMPACT OF PRICE RISES WILL BE ON INDUSTRIAL USERS. AVERAGE PRICE OF FUEL OIL WILL NOW BE 16 TO 17 PENCE A GALLON COMPARED TO 6 PENCE A GALLON 18 MONTHS AGO.

5. COMMENT: INCREASE OF 10 PENCE COULD BE FOLLOWED BY AN ADDITIONAL HIKE OF PERHAPS 2 PENCE ONCE LATEST CRUDE PRICE DECISIONS TAKEN AT ABU DHABI AND RATIFIED BY DECEMBER 12 OPEC CONFERENCE ARE TRANSLATED INTO HIGHER INTER-AFFILIATE TRANSFER PRICES. EXACT AMOUNT OF INCREASE WILL DEPEND ON WHETHER HMG CONTINUES TO LOAD PRICE BURDEN PRIMARILY ON GASOLINE INSTEAD OF AVERAGING IT ACROSS THE BOARD. EFFECT OF CURRENT ROUND OF INCREASES COULD BE SEVERE ON GLASS, BRICK, TIMBER, PAPER AND CHEMICAL INDUSTRIES.

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